

***United States Court of Appeals
for the Second Circuit***



**APPELLANT'S
BRIEF**

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In the
UNITED STATES COURT OF APPEALS
For the Second Circuit

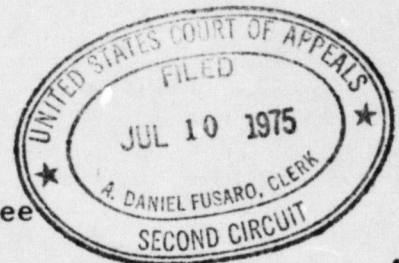
CES PUBLISHING CORP.

Plaintiff-Appellant

- against -

ST. REGIS PUBLICATIONS, INC.

Defendant-Appellee



Brief of Plaintiff-Appellant on Appeal From an
Order of the United States District Court for the
Southern District of New York Denying Appellant's
Motion for Preliminary Injunction.

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Brief of Plaintiff-Appellant on Appeal From an
Order of the United States District Court for the
Southern District of New York Denying Appellant's
Motion for Preliminary Injunction.

PRELIMINARY STATEMENT

CES Publishing Corp., ^{1/} plaintiff below, requests this Court to
reverse the decision of the District Court for the Southern District of New
York (Judge Kevin Duffy) denying CES' motion for preliminary injunction

^{1/} Hereinafter referred to as "CES".

to restrain trademark infringement and unfair competition. CES requests that the Court direct the issuance of a preliminary injunction restraining St. Regis Publications, Inc. ^{2/} from further use of the words "Consumer Electronics" as requested in the first prayer for relief in CES' original ^{3/} complaint.

STATEMENT OF ISSUES

In the opinion of CES, the sole issue presented for review is:

Whether the Judge below abused his discretion in refusing CES' plea for a preliminary injunction.

MATERIAL PRIOR PROCEEDINGS

CES filed a complaint against St. Regis in the United States District Court for the Southern District of New York on January 16, 1975. (A-2) Shortly thereafter, CES filed a motion and supporting affidavit for preliminary

^{2/} Hereinafter referred to as "St. Regis".

^{3/} Therein, CES prayed for a preliminary injunction:

enjoining St. Regis, its officers, agents, servants, employees, attorneys, and all other persons acting in concert or participation with it or in its behalf, from in any manner, directly or indirectly, (a) using the words "Consumer Electronics" or any other colorable imitation or variation thereof in or in connection with any periodical; or series of periodicals; or advertisement, promotion, announcement, manufacture, distribution, offer, or sale thereof, and (b) causing any of the foregoing acts to occur in whole or in part. (Joint Appendix A-4.)

[Hereinafter the Joint Appendix will be cited as "A-__"]

injunction. (A-7, A-9) CES sought to enjoin the publication of a competing magazine using a name similar to that previously adopted and used for CES' own magazine addressed to the identical market.

Four separate causes of action were alleged in the complaint: (1) violation of Section 43(a) of the Lanham Act, 15 USC §1125(a), in that use of a confusingly similar name constituted a false representation of the origin of St. Regis' new magazine; (2) violation of the New York common law against unfair competition in that use of the similar title was an unfair appropriation of the recognition and goodwill developed by CES in the name; (3) violation of §368-d of the New York General Business Law in that St. Regis' use of a confusingly similar name for a magazine of lesser quality would dilute the value of CES' investment in its trademark; and (4) direct infringement of CES' rights in the trademark "Consumer Electronics".

St. Regis filed an affidavit in opposition to the motion for preliminary injunction (A-18) and a motion to dismiss, with affidavit, alleging failure to state a claim upon which relief can be granted. (A-28, A-30) CES filed an affidavit in opposition to the motion to dismiss. (A-39)

Following submission of memoranda of law by both parties on the issues raised by the pleadings and affidavits, the District Court held oral argument. On April 1, 1975, District Judge Duffy issued an Opinion and Order holding that:

'Consumer Electronics' is not and cannot be such a distinctive term as to become a trademark nor does the proof at this point show that there has been a secondary meaning built up by the term to identify the plaintiff's publication with the words 'Consumer Electronics'. (A-48)

In view of this resolution of plaintiff's claim, the District Court further held that it was unnecessary to decide the merits of St. Regis' motion to dismiss.

CES appealed to this Court and St. Regis filed a cross appeal.

STATEMENT OF FACTS

CES is the exclusive licensee of the trademark "Consumer Electronics"^{4/} for use as the title to a trade magazine entitled Consumer Electronics Monthly. This publication is a trade magazine directed primarily to dealers in electronic products for personal and home use, such as televisions, radios, phonographs, recorders, calculators, home security systems, and other related products. The magazine presents, among other things, feature and news articles concerning products, manufacturers, dealers, industry personalities and events, sales methods, and research developments. (A-10, 11) Consumer Electronics Monthly competes with at least six other publications directed at the same market but whose names are not confusingly similar to Consumer Electronics Monthly or to each other.^{5/} (A-44, 45)

^{4/} The mark "Consumer Electronics" was originally registered on July 25, 1967, on the United States Patent Office Supplemental Register by Television Digest, Inc. In August, 1972, TV Digest exclusively licensed Audio Times, Inc. to use the trademark for a trade magazine entitled Consumer Electronics Monthly. Audio Times assigned all of its rights in that license to CES in December, 1972. Both Audio Times and CES are wholly owned by Richard Ekstract. (A-12)

^{5/} The District Court was referred by St. Regis to a few other publications which also use the words "Consumer Electronics" in either the title or as a section heading. These publications are either noncommercial (no advertising) and infrequently published or are not directed at the retail dealers which constitute the audience for CES' monthly magazine. (A-45, 46)

CES has published this magazine since December, 1972. (A-11) It is distributed throughout the United States by subscription, free-of-charge, to manufacturers, distributors and dealers in the electronics trade. Its average audited monthly circulation was more than 20,000 copies in 1973 and more than 25,000 in 1974. CES has estimated that by mid-1975 the average monthly circulation would reach 30,000. The magazine is supported by advertising revenues, which exceeded \$375,000 in 1973 and were more than \$505,000 in 1974.

CES has always emphasized the term "Consumer Electronics" in the magazine's title. (A-12) The magazine's cover bears those words in large block type; the word "Monthly" is printed in small type sideways along the right margin. Within the magazine's pages, the initial letters of "Consumer Electronics" are invariably capitalized while "monthly" is in lower case.^{6/}

CES has made substantial expenditures for advertisement and promotion of Consumer Electronics Monthly. (A-12) In all such advertising and promotion, the "Consumer Electronics" mark is prominently featured. In the two and a half years since first publication, CES has spent over \$125,000 for that purpose. CES has estimated additional expenditures of more than \$50,000 this year. Copies of CES' advertising and promotional materials were submitted to the District Court with CES' affidavits.

As a result of CES' success with the magazine, the term "Consumer Electronics" has come commonly to be used to identify CES and its magazine. (A-12, 13) It is commonly understood in the trade to signify both CES and the

^{6/} A copy of the cover of one issue of Consumer Electronics Monthly is attached hereto as Appendix A.

magazine. Letters to the magazine commonly refer to it simply as "Consumer Electronics". The personal experiences of CES' owner with advertisers, dealers, manufacturers, representatives and others at CES' offices, trade shows, factories, retail stores and elsewhere indicate that persons in the electronic products trade almost invariably refer to the magazine by that term. All issues show "Consumer Electronics" only in the bottom right-hand corner of left pages. The mark "Consumer Electronics" thus constitutes one of CES' most valuable business assets.

In August, 1974, more than a year and a half after CES first published Consumer Electronics Monthly, St. Regis announced that it intended to commence publication and distribution of a new monthly trade magazine in January, 1975, under the title Consumer Electronics Product News. (A-13) St. Regis began to disseminate promotional materials in the trade, soliciting subscriptions and advertisements for the new magazine. These materials were submitted to the District Court. They indicated that the new magazine would deal with the same subjects as are treated in CES' magazine and would be directed to the same audience as CES' magazine.

The announcement and promotion of the new magazine immediately generated confusion in the trade as to the identity of the publisher. (A-14) Many telephone and mail inquiries from advertising representatives were

7/ At the same time, St. Regis also filed petitions to cancel registration before the Trademark Trial and Appeal Board, United States Patent Office, Cancellation Nos. 10700 and 10701, relating to the respective trademarks "Consumer Electronics Show Daily" and "Consumer Electronics". These marks are owned by TV Digest, which published the Show Daily from 1967 to 1970. The Daily is now published by Audio Times, pursuant to a license granted in 1970.

directed to CES in the mistaken belief that it, not St. Regis, was about to publish the new magazine. CES has even received misdirected mail containing mock-ups for advertising to be inserted in the new magazine. Examples of such incorrect address labels and a letter listing Consumer Electronics Product News as the addressee at CES' office address were submitted to the District Court.

In December, 1974, CES, through its attorneys, advised St. Regis that its use of the term "Consumer Electronics" in connection with the proposed new publication had already misled some advertisers' representatives into believing that the new magazine was one which CES was intending to publish or sponsor, that use of that term in the title would make reader confusion inevitable, and that continued use of those words by St. Regis would violate CES' trademark rights and be unfairly competitive. (A-15) CES warned that it would take legal steps to prevent further misuse of its trademark. St. Regis' only response was through a letter of its attorneys, claiming that the words "Consumer Electronics" are "merely descriptive and hence not capable of exclusive appropriation by any one company".

At the time this suit was commenced by CES, St. Regis had not yet published the first issue of its new magazine. Notwithstanding the filing of the suit, St. Regis published its first issue in January, 1975. This publication is very similar to Consumer Electronics Monthly in size, cover paper type, and format-section headings.

St. Regis has not denied any of the material facts upon which the complaint is based. Indeed, it specifically conceded that confusion between it and

CES has arisen. (A-21, A-26) The bulk of St. Regis' affidavit in opposition to the preliminary injunction related to an entirely separate dispute between the parties, which dispute is not before this Court,^{8/} and to arguing that confusion in this case is understandable because it exists between other trade publications bearing names similar to each other.

ARGUMENT

I. INTRODUCTION AND SUMMARY

The refusal of the District Court to grant CES a preliminary injunction in this case was an abuse of the Judge's discretion. It was fully demonstrated below that a preliminary injunction was required to preserve the status quo pending final determination of whether the promotion, publication and distribution by St. Regis of its new magazine under the title Consumer Electronics Product News would violate the trademark rights of CES and would constitute unfair competition and violate Section 368-d of the New York General Business Law, McKinney's Consol. Laws, C.20 (1968).

The error of the District Court Judge lay in his treatment of the case as having only one issue: whether the plaintiff had shown a strong probability of ultimate success on the merits. The Judge concluded summarily that CES had no legal rights to the words "Consumer Electronics" under the trademark

^{8/} See footnote 7, supra.

laws and there ended his inquiry.^{9/} We believe that the Judge's decision was inadequately explained and patently wrong on the merits. But even if his assessment of CES' evidence was sound, the essential error of the Judge's approach was his failure to address other issues required by the governing case law to be considered upon a request for preliminary injunction even when the plaintiff has not shown the strong likelihood of success on the merits.

The Judge made no findings whatsoever on these other major elements of CES' plea for a preliminary injunction. His Opinion and Order is devoid of any reference to the irreparable harm that CES demonstrated, without substantial challenge, would occur to the continued publication of its well-established trade magazine, Consumer Electronics Monthly, if St. Regis were permitted to continue publicizing and to initiate distribution of its new magazine prior to the trial on the merits. The Judge's Opinion and Order likewise makes no mention of CES' showing below that the balance of hardships in this controversy tipped decidedly in its favor and that it has raised questions going to the merits so serious, substantial, difficult and doubtful, as to make them a fair ground for litigation and more deliberate investigation at trial. Finally, the Judge totally ignored two of CES' causes of action, each of which imposed a lesser burden on CES than the main Lanham Act claim.

^{9/} The Judge actually held that the words "Consumer Electronics" could never be the subject of a trademark, an unusually conclusive determination following a brief oral argument based upon affidavits and other documentary evidence. In addition to this finding as to technical trademark registration, the Judge also held that the evidence did not establish a "secondary meaning" to justify application of Section 43(a) of the Lanham Act.

The bulk of CES' factual proof and legal arguments before the District Court were not seriously challenged. The District Judge's failure to give any consideration whatsoever to the principal criteria for grant or denial of a preliminary injunction was a clear abuse of discretion. The total failure to address two independent causes of action is itself reversible error. Had the Judge considered these matters, the compelling weight of the evidence and argument would have pointed to grant of preliminary injunctive relief. At this stage of the proceeding, this Court should itself address these issues and direct the issuance of a preliminary injunction.

II. THE DISTRICT COURT ABUSED ITS DISCRETION
BY REFUSING TO ISSUE A PRELIMINARY INJUNCTION.

A. CES Satisfied The Basic Prerequisites For A Preliminary Injunction.

CES brought this action to protect its rights in a trademark and to protect itself against unfair competition by a new entrant which had targeted CES' primary market for publication of a confusingly identified trade magazine. CES asserted four separate causes of action, each of which involved substantial issues of law. A motion for preliminary injunction was filed, following advance warnings to the defendant, to preserve the status quo pendente lite by preventing the first publication and distribution of St. Regis' new magazine. This action was the only means available to maintain the relative positions of the parties while CES' claims were awaiting final adjudication.

The grant of a preliminary injunction under the usual criteria requires reasonable proof that the proponent of the injunction will be irreparably injured if it is not granted, and that the proponent will likely prevail on the

merits following a subsequent full trial. Unicon Management Corp. v. The Koppers Company, 366 F. 2d 199 (2nd Cir. 1966). The evidence and argument of CES in the District Court clearly satisfied both these criteria.

(1) CES Proved That It Would Be Irreparably Injured If An Injunction Were Not Granted.

By affidavit and documentary evidence, CES proved its right as licensee to the trademark "Consumer Electronics", its publication of Consumer Electronics Monthly for a period of two years, its substantial and successful promotion of and investment in the use of the words "Consumer Electronics", the identification and recognition of those words within the trade with CES and its magazine, and the substantial confusion and probable loss of revenue which had already resulted from the promotion of defendant's new magazine which included the words "Consumer Electronics" prominently in its title. St. Regis conceded the existence of such confusion in its own affidavits before the District Court. (A-21, A-26) It also revealed its long history of attempts to invade CES' primary markets with publications entitled in a manner confusingly similar to the publications of CES. (A-19-21) None of the material facts on which the complaint was based was challenged by St. Regis, as conceded by its counsel at the oral argument before Judge Duffy. ^{10/}

^{10/} "MS. HATRY:...There is (sic) different interpretations but I don't believe that any of the major facts are in dispute.

THE COURT: All right. Would you agree, Mr. Rand?

MR. RAND: Yes, certainly. That is how we see it."

[Transcript of Oral Argument before Judge Duffy, February 18, 1975, at 24.]

In the face of the confusion among CES customers which had already resulted from the promotion of the new magazine, it was clear that CES could not be compensated later with damages if continued promotion and publication by St. Regis were allowed while this suit was pending. St. Regis suggested no way in which such damages could be measured.^{11/} In a case involving similarly named products, this Court has held as follows:

Where there is, then, such high probability of confusion, injury irreparable in the sense that it may not be fully compensable in damages almost inevitably follows. [Omega Importing Corp., v. Petri-Kine Camera Company, 451 F. 2d 1190, 1195 (2nd Cir. 1971)]

(2) CES Demonstrated A Strong Probability That It Would Succeed On The Merits.

CES also demonstrated a strong probability of success on the merits through extensive analysis of the case law under Section 43(a) of the Lanham Act, the New York common law of unfair competition,

^{11/} St. Regis' contention below that CES could not be damaged as a matter of law in this case, because of failure to prove distinctiveness of the trademark, is thus hardly dispositive. The possibility of financial damage was not disputed. The question whether such damage was cognizable under the law governing trademarks and unfair competition was the issue to be resolved at the later trial. The purpose of preliminary injunctive relief was to prevent noncompensable loss of dollars in fact while such issues were being resolved. See Carling Brewing Co., Inc. v. Philip Morris, Inc., 277 F. Supp. 326 (D. C. Cir. 1967). See also Semmes Motors, Inc. v. Ford Motor Co., 429 F. 2d 1197 (2nd Cir. 1970).

and Section 268-d of the New York General Business Law.

- (a) CES Showed That By The Use Of The Term "Consumer Electronics" In The Title Of Its New Magazine, St. Regis Had Violated Section 43(a) Of The Lanham Act.

CES argued below that it was entitled to an injunction against St. Regis' continued promotion and emanent publication and distribution of its new magazine under the title Consumer Electronics Product News by virtue of the provisions of Section 43(a) of the Lanham Act, 15 U.S.C. 1125(a). That section reads, in relevant part, as follows:

- (a) Any person who shall affix, apply, or annex, or use in connection with any goods or services... a false designation of origin, or any false description or representation, including words or other symbols tending falsely to describe or represent the same, and shall cause such goods or services to enter into commerce... shall be liable to a civil action... by any person who believes that he is or is likely to be damaged by the use of any such false description or representation.

The section has "created a new federal cause of action for false representation as to the origin of goods", Apollo Distributing Company v. Apollo Imports, Inc., 341 F. Supp. 455, 458 (S.D.N.Y. 1972), "a federal statutory tort of unfair competition sui generis", Colligan v. Activities Club Of New York, Ltd., 442 F. 2d 686, 691 (2nd Cir.), cert. denied 404 U.S. 1004 (1971).

12/ In its complaint before the District Court, CES also claimed infringement of its rights as licensee of the registered trademark "Consumer Electronics" under Section 32 of the Lanham Act, 15 U.S.C. §1114. (A-2, 3) For purposes of this appeal from Judge Duffy's Opinion and Order denying a preliminary injunction, we do not press the infringement claims under Section 32. This is a matter currently in litigation between TV Digest, Inc., CES' licensor and St. Regis before the United States Patent and Trademark Office. (See A-28; Cancellation Nos. 10,700 and 10,701.) CES argued below that decision on the motion for preliminary injunction in this case should not be deferred to await the outcome of protracted administrative proceedings before the Patent and Trademark Office. The District Judge agreed. (A-50)

In Mortellito v. Nina of California, Inc., 335 F. Supp. 1288 (S. D. N. Y. 1972), Judge Gurfein summarized the principles applicable under Section 43(a) as follows:

. . . it is not a prerequisite that the mark be registered. . . A claim for relief arises if the defendant affixes to the goods a false designation of origin or any false description or representation. The defendant is subject 'to a civil action . . . by any person who believes that he is or is likely 'to be damaged by the use of any such false description or representation' . . .

The gist of the action under this section is a use of the mark or tradename in interstate commerce which is likely to cause confusion or to deceive purchasers as to the source of origin of the goods . . .

Although, on its face, Section 43(a) seems to be for the benefit of the person who believes he is likely to be damaged, the emphasis has largely remained on confusion of the public. Confusion will necessarily be created if a mark or tradename . . . has acquired a secondary meaning, and if the defendant's mark or tradename exhibits a confusing similarity to it . . .

[335 F. Supp. at 1294-95]

In Gold Seal Company v. Weeks, 129 F. Supp. 928, 940, aff'd., 230 F.2d 832 (D. C. Cir.), cert. denied, 352 U.S. 829 (1951), the policy considerations underlying the statute and the breadth of the relief it furnishes were set out as follows:

. . . Section 43(a) does create a federal statutory tort, sui generis, and to this extent . . . [the plaintiff] need not show that any false description or representation was willful or intentional, need not prove actual diversion of trade (palming off, so to speak), need not establish a veritable monopoly position in the industry. It means that wrongful diversion of trade resulting from false description of one's products invades that interest which an honest competitor has in fair business dealings--an interest

which the courts should and will protect whether it is called that of 'property', 'quasi-property' or something else. It represents, within this area, an affirmative code of business ethics whose standards can be maintained by anyone who is or may be damaged by a violation of this segment of the code. In effect it says: you may not conduct your business in a way that unnecessarily or unfairly interferes with and injures that of another; you may not destroy the basis of genuine competition by destroying the buyer's opportunity to judge fairly between rival commodities by introducing such factors as falsely descriptive trademarks which are capable of misinforming as to the true qualities of the competitive products.

CES demonstrated in the court below precisely the kinds of facts which Judge Gurfein found controlling in the Mortellito case. It showed long and continuous use of the term "Consumer Electronics" and that the trade to which Consumer Electronics Monthly was directed had come to recognize the term as meaning CES' magazine. Indeed, CES went beyond the proof in Mortellito by showing that CES and St. Regis would be "precise competitors" in terms of the audience for their magazines and the source of their advertising revenues. CES also demonstrated that actual confusion had already occurred and that the likelihood of "... more, as each expands its business, appears quite predictable". 335 F. Supp. at 1295. Finally, St. Regis' own evidence proved that the appropriation was willful, as it followed a long history of attempts by St. Regis to use names already adopted by CES or its licensor.

Faced with the broad sweep of Section 43(a) and clear evidence bringing CES within its protection, St. Regis presented no countervailing

analysis directed at the merits of CES' case under that provision of the Lanham Act. It chose instead to challenge CES' standing under Sections 32 and 34 of the Lanham Act to assert trademark rights, making a technical procedural argument that only the registrant of a trademark could sue to protect the mark.^{13/} St. Regis then asserted generally that CES was entitled to no protection whatsoever because the words "Consumer Electronics" were generic, not distinctive, and had not otherwise attained secondary meaning. It provided little evidence, and even less authority, for its position, which fact may explain why the opinion of the District Court Judge cites no authority for the sweeping conclusions reached on the only two issues he considered. On this issue the preponderant authority and evidence pointed clearly to CES' eventual success on the merits.

(b) CES Showed That The Appropriation By St. Regis Of The Term "Consumer Electronics" Violated The New York Common Law Of Unfair Competition.

In addition to the Lanham Act violation, CES demonstrated that St. Regis' use of the term "Consumer Electronics" should be enjoined as a violation of the common law of New York State against unfair competition. As pointed out by Judge Gurfein in Mortellito v. Nina of California, Inc., supra, 335 F. Supp. at 1295, it is easier for the plaintiff to prevail upon a claim for trade name infringement relief under the common law against unfair competition than upon pleas

^{13/} The District Court did not rely upon this diversionary tactic, as indeed it could not, in view of St. Regis' concession in its memorandum of law to Judge Duffy, that federal registration was not required in a Section 43(a) action.

based on the federal trademark statute.

Unlike Section 43(a) of the Lanham Act, the law of unfair competition does not require that plaintiff's trade name shall have acquired a "secondary meaning." Santa's Workshop, Inc. v. Sterling, 282 App. Div. 328, 329-330, 122 N.Y.S. 2d 488, 489 (3d Dept. 1953). See also, International News Service v. Associated Press, 248 U.S. 215, 235, 237 (1918); Hanover Star Milling Co. v. Metcalf, 240 U.S. 403, 404 (1916). "The controlling question in all cases where the equity power of the courts is invoked is whether the acts are fair or unfair, according to principles recognized in equity." Oneida, Ltd. v. National Silver Co., Sup., 25 N.Y.S. 2d 271, 276. See also, Avon Periodicals, Inc. v. Ziff-Davis Pub. Co., Sup. 27 Misc.2d 160, 113 N.Y.S. 2d 737, affirmed 282 App. Div. 200, 122 N.Y.S. 2d 92.

Thus, even if the term "Consumer Electronics" has not acquired secondary meaning, it is plainly the predominant portion of CES' magazine title, Consumer Electronics Monthly, which emphasizes the term and de-emphasizes the word "monthly". (See Appendix A to this brief.) Because of that fact alone, "Consumer Electronics" identifies CES' magazine and CES as its publisher. As a result, there is substantial likelihood that St. Regis' use of the term will lead to confusion as to the source of origin of its new magazine. That is the finding recently made in another opinion by Judge Gurfein, Londontown Manufacturing Company v. Cable Raincoat Co.,

371 F. Supp. 1114 (S. D. N. Y. 1974), with respect to the word "Fog" in the "London Fog" trademark. Although he concluded therein that there had been "inadequate proof for the explicit finding" that the abbreviation "The Fog" for the plaintiff's trademark, "London Fog", had acquired sufficient secondary significance for it to be protected like a mark (371 F. Supp. at 1117), Judge Gurfein nevertheless enjoined the defendant from using the name "Smog" for its products because of the likelihood of confusion with the word "Fog", which he found to be the predominant portion of the "London Fog" mark. Id. at 1119-20.

Moreover, the likelihood of confusion is increased here, indeed made all but certain, by the similarity in the contents of both magazines and in their audiences. See e.g., Mortellito v. Nina of California, Inc., supra, 335 F. Supp. at 1294; Apollo Distributing Co. v. Apollo Imports, Inc., 341 F. Supp. 455, 459 (S. D. N. Y. 1972). St. Regis' new magazine will deal with the same industry subjects as CES' existing publication. It is directed to the same audience, and like plaintiff's publication will be delivered free of charge and rely primarily on advertising as a trade journal to sustain its operations. The appearance that both publications emanate from the same source and the resultant confusion that has already generated in the trade is clear from the record.

As Judge Learned Hand stated in American-Marietta Company v. Krigsmann, 275 F. 2d 287, 289 (2nd Cir. 1960):

The whole basis of the law of 'unfair competition'... is that no one shall sell his goods in such a way as to make it appear that they come from some other source. The simplest form of this is to use the name or trademark of another, but the law goes further than that.

The recent decision in Londontown Manufacturing Company, supra, is to the same effect:

The rule is quite clear in this circuit (although its application is sometimes difficult) 'that the second comer has a duty to so name and address his product as to avoid all likelihood of consumers confusing it with the product of the first comer.' Ritchie v. Chesebrough-Pond's, Inc., 281 F. 2d 755, 758 (2d Cir. 1960); A. T. Cross Co. v. V. Jonathan Bradley Pens, Inc., 470 F. 2d 689 (2d Cir. 1972).

If the defendant is selling its goods because of their value, it is in fair competition. If it wishes, in addition, to build up a mark connoting that it is the source of the goods, it should do so by a mark more clearly exclusive to itself . . . [371 F. Supp. at 1119-1120]

The New York law of unfair competition is especially rigorous in proscribing use of any name confusingly similar to another earlier adopted by and associated with another's business without regard to the extent of secondary significance of the earlier name. Mortellito 14/
v. Nina of California, Inc., 335 F. Supp. at 1295-96. Moreover,

14/ New York courts have long protected an established trademark user against another's use of a confusingly similar name for a similar product, Nu-Enamel Corp. v. Nate Enamel Corp., 243 App. Div. 292, 276 N.Y.S. 930 (1st Dept.), aff'd. 268 N.Y. 574 (1935) ("Nu Enamel" excludes use of "Duo Enamel"), Fawcett Publications v. Real Confessions, et al., 59 N.Y.S. 2d (1st Dept. 1947) ("True Confessions" excludes use of "Real Confessions"); Best & Co. v. Goetz, et al., 170 Misc. 729, 10 N.Y.S. 2d 994 (Sup. Ct. 1939) ("Shirtmaker" excludes use of "The Shirt-Cutter"); Dell Publishing Co. v. Ultem Publications, 171 Misc. 156, 12 N.Y.S. 2d 55 (Sup. Ct. 1939) ("Modern Screen" excludes use of "Modern Movies").

when the focus is directed to equitable considerations as it is herein, it is of significance that warning was given by CES to St. Regis, first by a letter from plaintiff's counsel and then by the initiation of suit, prior to any publication by St. Regis of its new magazine. Id., 335 F. Supp. at 1295.

(c) CES Also Showed That St. Regis Had Violated The
Anti-Dilution Provisions Of The New York General
Business Law.

St. Regis' use of the term "Consumer Electronics" also violates Section 368-d of the New York General Business Law, McKinneys Consol. Laws c. 20 (1968). That statute which codifies the state's law against dilution provides as follows:

Injury to business reputation; dilution:
Likelihood of injury to business reputation or of dilution of the distinctive quality of a mark or trade name shall be a ground for injunctive relief in cases of infringement of a mark registered or not registered or in cases of unfair competition, notwithstanding the absence of competition between the parties or the absence of confusion as to the source of goods or services.

There has been and will be dilution of plaintiff's trademark in this case. This is especially so in view of the fact that as a new venture, the quality of St. Regis' magazine is likely to be inferior to that of CES' established journal. (A-16) This aspect of dilution was highlighted in the Mortellito case, supra, 335 F. Supp. at 129. which also construed Section 368-d of the New York General Business Law. Therein, the court pointed out the difficulty for an established business to maintain its reputation for quality if there comes on the market a product with a similar name that is of poorer quality. And this

detrimental effect is heightened because in the instant case, St. Regis will be operating not only in direct competition with CES, but also in an area of normal expansion for plaintiff to which the New York courts have in the past also extended their equitable protection. Fund of Funds, Ltd. v. First American Fund of Funds, Inc., 274 F. Supp., 517, 526 (S. D. N. Y. 1967).

Dilution is an injury that differs materially from that arising out of the normal concept of confusion. Even in the absence of confusion, the potency of a trademark may be debilitated by another's similar use. This is the essence of dilution. Mortellito v. Nina of California, Inc., supra, 385 F. Supp. at 1296. Confusion leads to immediate injury, while dilution is an infection which, allowed to spread, will invariably destroy the advertising value of a trade name. Id.

Here, St. Regis, after previous unsuccessful efforts to enter the market, purposefully appropriated CES' trademark in recognition of the latter's dominance in the field and the desire to dilute and trade upon CES' association with the industry. (A-19, A-25) This is what has been referred to by the New York Supreme Court as a "'whittling down' [of] the identity and reputation of plaintiff's names." Renofab Process Corp. v. Renotex Corp., 158 N. Y. S. 2d 70, 77 (N. Y. Co. Sup. Ct. 1956). In New York, "[t]he likelihood of damage through dilution of [a plaintiff's] mark or symbol is enough". Id.

B. The District Court's Conclusions As To CES' Pleas Under Section 43(a) Of The Lanham Act Were Neither Rationally Based Nor Adequately Explained.

The District Court Judge's approach to what must be regarded as a lopsided case in favor of CES was to narrow the issues to the single question of whether CES had proved its case on the merits. Despite the legal and factual complexity of the problems presented, as evidenced by the myriad of cases on this subject, the Judge summarily concluded that "Consumer Electronics"

. . . is not and cannot be such a distinctive term as to become a trademark . . .

He further held that CES had not proved that its publication, Consumer Electronics Monthly, was identified by the words "Consumer Electronics" within the "secondary meaning" concept under Section 43(a) of the Lanham Act. The basis for this latter conclusion is not clear from the Opinion and Order. As best we can tell, however, it appears to be founded upon the fact that the industry to which plaintiff's magazine is directed has grown substantially in recent years, and that other publications directed at the industry annual trade fair are published using the words "Consumer Electronics" or the initials for "Consumer Electronics Show" in their titles.

CES submits that the Judge's findings in this regard are not rationally based and are arbitrary and capricious, in view of the fact that two of the three publications identified by the Judge are published by CES' ultimate licensor, which is the registered owner of the trademark "Consumer Electronics", as well as "Consumer Electronics Show Daily", that the publication by St. Regis of the third gazette identified by the Judge has been a matter of

dispute between CES and St. Regis for several years, and that CES' licensor of the trademark "Consumer Electronics" was the originator of the term and had granted permission for its use as the name of the industry annual trade fair, from which, in CES' view, St. Regis appropriated the initials. (A-40, 41) There is no logical nexus between the facts stated by the Judge and his conclusion that CES failed to demonstrate secondary meaning under the Lanham Act.

The District Court Judge failed totally to address the uncontested evidence of industry identification and recognition of the words "Consumer Electronics" with CES and its magazine and the conceded existence of substantial confusion among CES advertisers and others which was engendered by the promotion of St. Regis' new magazine. These were the touchstones of secondary meaning under Section 43(a) of the Lanham Act, not whether another person is also using the disputed mark. An unlawful use of a trademark should not be treated as evidence that the owner of a trade name has failed to achieve sufficient exclusivity of use, and resultant identity recognition, to establish "secondary meaning."^{15/}

The concept of secondary meaning "contemplates that a word or phrase ordinarily, and in that sense primarily, incapable of exclusive appropriation with reference to an article on the market" may nevertheless over a period of time become so identified with a particular producer or the particular product originating with that producer that it has come to mean his product and him.

^{15/} This is particularly true when the other user is also the defendant in the suit and where the other use is also disputed. (A-20)

G & C Meriam Co. v. Saalfeld, 198 Fed. 369, 373 (6th Cir. 1912).^{16/}

That is precisely what occurred when the word "Vogue" was adopted as the title of a national fashion magazine:

'Vogue' connotes that which is in fashion at a particular time; it refers to the general trend or current mode of fashion. We find that the word 'Vogue' has acquired a secondary meaning so that the mention of 'Vogue' unaccompanied by further description brings to the mind of the public an immediate connotation of the plaintiff's publications. Though 'Vogue' is a word of everyday speech the plaintiff has, through constant usage, created in the public mind an association between its publications and the wearing apparel and accessories worn by the American woman of discriminating and fashionable tastes, which are there reported, pictured, sponsored or recommended. In the world of fashion, plaintiff has acquired a common law right to its exclusive use. [Conde Nast Publications v. Vogue School of Fashion Modeling, 105 F. Supp. 325, 331 (S.D.N.Y. 1952)]

In W.E. Basset Company v. Revlon, Inc., 435 F. 2d 656 (2nd Cir. 1970), this Court held that although the plaintiff's mark "Trim" described the function performed by its manicuring implements, the term had acquired secondary significance entitling plaintiff to exclude others from its use. Similarly, while the term "Consumer Electronics" connotes the electronic products industry and is suggestive of the contents of CES' magazine, it has come, when applied to a publication, to mean CES' monthly and the publisher of that magazine, that is, Consumer Electronics Monthly and CES. And because of this, St. Regis' use of the term for its new magazine has the effect of representing to the trade that the new magazine is published or is in some way

^{16/} See also, e.g., Armstrong Paint & Varnish Works v. Nu-Enamel Corp., 305 U.S. 315, 335 (1938); Fund of Funds, Ltd. v. First American Fund of Funds, 274 F. Supp. 517 (S.D.N.Y. 1967).

associated with CES. The resulting confusion, shown to have already occurred, entitles CES to preliminary injunctive protection. See Omega Importing Corp. v. Petri-Kine Camera Company, supra.

That the title of St. Regis' magazine is not the very same as Consumer Electronics Monthly in its entirety does not excuse St. Regis' use of the term "Consumer Electronics". The trade understands that term to signify CES and its magazine. The addition of "Product News" at the end of St. Regis' title is patently insufficient to distinguish the two publications and avert confusion. Secondary meaning may be developed with respect to a position of a trade name as well as the complete mark or name.

In Atlantic Monthly Co. v. Frederick Ungar Publishing Co., 197 F. Supp. 524 (S. D. N. Y. 1961), an action by the publisher of the magazine, "Atlantic Monthly", the court enjoined another publisher from using the word "Atlantic" as part of the title "Atlantic Paperbacks" for a series of paperback books. The court said.

The evidence is overwhelming that for years, indeed decades, the plaintiff's magazine has been designated, advertised and distributed as both 'The Atlantic Monthly' and 'The Atlantic'; that it has been so referred to interchangeably by readers, publishers, editors, advertisers and book reviewers. 'Atlantic' has become the key or operative word of the registered trademark and has itself achieved a secondary meaning . . .

Plaintiff is thus entitled to protection of the word 'Atlantic', whether used alone or in conjunction with other words by which plaintiff's publications

are known to the public. 197 F. Supp. at 528-530
(footnotes omitted) 17/

Moreover, it is not necessary that the entire public should have come to identify the term "Consumer Electronics" with plaintiff's magazine and plaintiff. With respect to a claim of secondary meaning, universality of recognition is not required. What is required is that a substantial section of the purchasing public should be proved to identify the trade name of the plaintiff's goods, in the areas in which the defendant's trade is done. Folmer Graflex Corp. v. Graphic Photo Service, 44 F. Supp. 429, 434 (D. Mass. 1942). See also, Feathercombs, Inc. v. Solo Products Corporation, 306 F. 2d 251, 255-56 (2nd Cir. 1962).

CES argued below that the term "Consumer Electronics", by itself, has developed a secondary meaning signifying CES' trade journals and CES itself. Like "Atlantic" for "Atlantic Monthly", "Consumer Electronics" has become "the key or operative word [s]" in Consumer Electronics Monthly. It is so recognized in the trade, where it has reached a circulation of approximately 30,000, as the only monthly magazine of its kind intended for manufacturers, distributors and retailers in the personal and home use electronics industry.

17/ See also, Metropolitan Opera Association, Inc. v. Metropolitan Artists, Inc., 27 Misc. 2d 572, 212 N.Y.S. 2d 435 (Sup. Ct., N.Y. Co.) aff'd. 13 App. Div. 2d 480, 214 N.Y.S. 2d 648 (1st Dept. 1961) ("Metropolitan Opera Associates" excludes use of "Metropolitan" and "Met"); Warner Bros. Records, Inc. v. Warner Music, Inc., 167 F. Supp. 661 (S.D.N.Y. 1958) ("Warner Bros." excludes use of "Warner").

From all that appears in the District Court's Opinion and Order, Judge Duffy considered none of the facts or legal authorities presented by CES in support of its claim that secondary meaning was established under Section 43(a) of the Lanham Act. Under such circumstances, the denial of a preliminary injunction has not been explained by the District Court by setting forth "the findings of fact and conclusions of law which constitute the grounds of its action" as required Rule 52(a) of the Federal Rules of Civil Procedure, 28 U.S.C.A. (1971). This error, standing alone, is sufficient basis for reversal by this Court. Nathan Mayo v. Lakeland Highlands Canning Co., 309 U.S. 310 (1940); Carpenters' District Council, Detroit, Wayne and Oakland Counties and Vicinity, of the United Brotherhood of Carpenters and Joiners of America, AFL-CIO v. Cicci, 261 F. 2d 5 (6th Cir. 1958).

C. The District Court Made No Findings At All Regarding The Unfair Competition And Trademark Dilution Claims.

As stated above, the District Court's Opinion and Order totally ignored CES' causes of action based upon the New York common law of unfair competition and Section 368-d of the New York General Business Law, the state's anti-dilution statute. Giving the utter silence of the District Judge on these points every benefit of doubt, it may be argued that the Judge assumed that he had disposed of CES' probability of success on the merits of these separate causes of action by his statement without more that the plaintiff's proof had been insufficient to show a secondary meaning in the term "Consumer Electronics" pursuant to Section 43(a) of the Lanham Act. But

as we have previously shown, the Lanham Act aside, CES established the probability of its success on the merits under the New York common law and Section 368-d, neither of which require showings of secondary meaning, and which as a general matter demand an easier standard of proof than does a claim under the Lanham Act. The complete silence of the Judge on these two important elements of the plaintiff's plea for injunctive relief in itself constitutes error under the requirement of Rule 52(a) of the Federal Rules of Civil Procedure, entitling the plaintiff to findings of fact and reasoned conclusions of law from the court below. Nathan Mayo v. Lakeland Highlands Canning Co., supra.

D. Even If Probability Of Success On The Merits Was Not Shown,
The District Court Abused Its Discretion By Failing To Consi-
der All Decisional Criteria.

The District Judge's findings amounted to nothing more than a determination that CES had no chance of success on the merits with respect to its claim of technical trademark infringement, and that it had failed to prove a substantial likelihood of success with respect to its confusion of origin claim under Section 43(a) of the Lanham Act. Even if the Judge's summary and conclusive treatment of these serious issues was justified despite the nature of the complex proceeding before him, he was plainly required by the governing case law to go beyond those questions to consider other elements of CES' request for preliminary injunctive relief. In Hamilton Watch Co. v. Benrus Watch Co., 206 F. 2d 738 (1953), this Court stated:

To justify a temporary injunction it is not necessary that the plaintiff's right to a final decision,

after a trial, be absolutely certain, wholly without doubt; if the other elements are present (i.e., the balance of hardships tips decidedly toward plaintiff), it will ordinarily be enough that the plaintiff has raised questions going to the merits so serious, substantial, difficult and doubtful, as to make them a fair ground for litigation and thus for more deliberate investigation.
[206 F. 2d at 740]

See also Semmes Motors, Inc. v. Ford Motor Co., 429 F. 2d 1197 (2nd Cir. 1970); Omega Importing Corp. v. Petri-Kine Camera Company, Inc., 451 F. 2d 1190 (2nd Cir. 1971).

We have already explained the basis for CES' case that it would suffer irreparable injury if St. Regis was not temporarily enjoined from further promotion and publication of its new magazine. CES also demonstrated in the District Court that no substantial hardship would be suffered by St. Regis if injunctive relief were granted. The suit was brought before the first publication, with advance warning to St. Regis. Since the publication was new, the potential loss of revenue from advertising was alleged to be small in relation to the damage which CES would suffer, both in direct financial terms and to its reputation. St. Regis presented no specific evidence to the contrary. The balance of hardships resulting from the decision of the District Court thus weighed decidedly in favor of CES on the only evidence before the Court.

As the court said in Carling Brewing Corp. v. Philip Morris, Inc., supra, 277 F. Supp. at 337, where a preliminary injunction was granted to the plaintiff even though the defendant had begun using the disputed trademark:

. . . as to the balance of equities among the parties, the court finds they lie almost wholly with Carling. The actual damage to Philip Morris that may flow from granting a temporary injunction is small. At most, if Philip Morris finally prevails, their marketing plans may have been deferred for a few months . . . Granting an injunction merely requires Philip Morris to stand still temporarily, without incurring any significant loss. Denial of the injunction may cause harm to Carling which would take years to repair.

See also, American Trampoline Co. v. American Trampoline Corp. of N.Y., 188 F. Supp. 611, 615 (S.D.N.Y. 1960) (preliminary injunction issued against use of trade name on "balance of relative hardships [where] the scales tipped decidedly in favor of plaintiff, who stands to lose much were defendant to resume using its name, whereas defendant, as a newcomer in the field, stands to lose relatively little."); Safeway Stores v. Safeway Properties, 307 F. 2d 495 (2nd Cir. 1962); Rogers Silverware R.B., Inc. v. Rogers S.P.B., 133 Misc. 676, 233 N.Y.S. 286 (1929). In those cases, the defendant had already begun selling the product bearing the disputed name whereas here St. Regis, at the time suit was filed, had used the mark merely in promotional materials, and so the hardship from a preliminary injunction would be but minimal.

In this posture, under the doctrine of the Hamilton Watch case, supra, which has been repeatedly cited with favor by this Court, CES was entitled to preliminary injunctive relief if the issues raised by it were "so serious, substantial, difficult and doubtful, as to make them a fair ground for litigation and thus for more deliberate investigation." [206 F. 2d at 740] On this there can be no doubt. Both the facts and legal memoranda in this case, as well as the

existence of a host of similar cases in this and other Circuits, prove the serious and difficult nature of the issues presented. The potential for damage to CES' growing business is certainly substantial.

Under these circumstances, it was patently erroneous for the District Judge to limit his consideration of the case to the single issue of whether CES would succeed on the merits. Under the Hamilton Watch doctrine, CES was entitled to a ruling on the other criteria for preliminary injunction which were directly raised and extensively argued by CES' affidavit and memoranda of law in the District Court. Had the Judge considered these aspects, we believe that injunctive relief would have been granted. Rather than consuming the additional time for remand to have these issues considered, CES respectfully requests that this Court issue the injunction to restore the status quo ante, pending full trial on the merits of CES' complaint.

III. CONCLUSION

In consideration of the foregoing, the Court is urged to direct the issuance of preliminary injunction as prayed for by CES in its complaint.

Respectfully submitted,
CES PUBLISHING CORP.

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Dated:
Washington, D. C.
July 7, 1975

Docket No. 75-7269

In the
UNITED STATES COURT OF APPEALS
For the Second Circuit

CES PUBLISHING CORP.

Plaintiff-Appellant

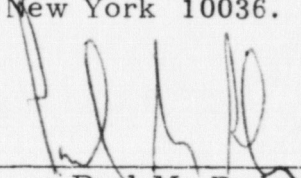
- against -

ST. REGIS PUBLICATIONS, INC.

Defendant-Appellee

CERTIFICATE OF SERVICE

I, Paul M. Ruden, hereby certify that on July 7, 1975, I served upon Davis, Gilbert, Levine, & Schwartz, Attorneys for Defendant-Appellee, two copies of the attached Brief of Plaintiff-Appellant on Appeal From An Order of the United States District Court for the Southern District of New York Denying Appellant's Motion for Preliminary Injunction, by first-class mail, postage prepaid, and properly addressed: 500 Fifth Avenue, New York, New York 10036.



Paul M. Ruden

Attorney for CES Publishing Corp.